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PRESCRIPTION FOR A HEALTHY VERMONT
The Douglas Partnership for Affordable Health Care
January 20, 2004

Vermonters and the Vermont health care system face a number of serious problems:

- Health care costs are escalating, affecting the affordability of health care coverage for individual Vermonters, Vermont businesses, local schools and municipalities.
- As health care costs and health insurance premiums increase dramatically, access to quality health care is decreasing. 10% of Vermonters are now uninsured, up from 6% in 1997.
- Choices in health insurance coverage have shrunk as health insurers have left the state, the health insurance market has become less competitive, and more individuals are covered under public programs.

Principles for health care reform in the public interest:

- Affordable health care coverage
- Coverage choices in a competitive, private health insurance market
- Consumer empowerment and protection
- Quality improvement
- Cost containment
- A comprehensive solution to the problems facing Vermont's health care system

Goal: To revitalize Vermont's health care delivery system through a public-private partnership that empowers Vermonters with more choices, more affordable health insurance, better access to quality care, and new long-term care options. The Douglas Plan encompasses four main areas: a) building an affordable healthcare partnership; b) empowering the patient; c) providing prescription drug relief; and d) encouraging healthy choices.

BUILDING AN AFFORDABLE HEALTH CARE PARTNERSHIP

1. Small Market Access Reinvestment Trust (SMART) Insurance Plan

- Unaffordable health insurance coverage is no coverage at all. Vermonters who need to purchase coverage in the individual and small group health insurance markets are particularly vulnerable, because of the higher cost characteristics of individual Vermonters in those markets. Presently, individuals and small businesses bear a disproportionate percentage of premium costs.
- The SMART Insurance Plan will give immediate premium relief (up to 10%) to individuals and small businesses without an association policy. The SMART Insurance Plan will make coverage more affordable for those markets.
- Lower premiums will allow small businesses that do not offer insurance to start coverage, and will provide a better opportunity for uninsured individuals to pick up coverage.
- By sharing the cost of care for individual Vermonters insured in these markets across the insurance system as a whole, the SMART Insurance Plan will stabilize the health insurance marketplace. No single group or insurer will bear an extraordinary burden for the cost of care in the individual and small group health insurance markets.
- By strengthening these markets, the SMART Insurance Plan will make Vermont a more attractive environment for existing health insurance companies and potential new entrants.
- By providing assistance to insurers who cover the medical costs of medically expensive insureds, the program will have a direct impact on premiums in the individual and small group markets.
- The state will cover the costs of the SMART Insurance Plan by extending existing premium assessment measures to all private health insurance companies in Vermont, which allows the state to partner with insurers to share risk across the board, and stabilize the health insurance market. The Administration will pursue federal funds to assist with the start-up costs of the program, and some on-going operating costs.

2. Small Employer Health Care Incentive Plan

- In Vermont today, businesses with fewer than 25 employees are far less likely to offer coverage to their workers than companies with larger workforces. Many small businesses would like to provide health insurance to their employees, but are unable to offer or sustain the cost of coverage.

- The Small Employer Health Care Incentive Plan is targeted to those small businesses by offering a tax credit so that providing healthcare to every worker is an affordable option for every Vermont business.
- As more companies elect to provide coverage under the employer incentive plan, it will result in lowering the number of uninsured working Vermonters.
- For small employers (25 employees or less), the employer incentive plan will provide a refundable tax credit to be used in conjunction with Health Savings Account (HSA), where the employer matches 50% of premium and deductible costs.
- In the HSA, the employer and employee can deposit a portion of wages tax-free. Like a debit account, the worker then uses the money in the HSA for co-pays and deductibles.
- The tax credit is a hand-up to employers, not a handout. After the start-up period, companies enrolled in the program will be asked to contribute increasing amounts until they are able to sustain coverage without government assistance.
- Additional details:
 - BISHCA will establish standards for approval of low-cost insurance plans eligible for a refundable tax credit.
 - Eligible, low cost insurance plans must be high deductible plans meeting the criteria for the favorable tax treatment afforded to employees by Health Savings Accounts.
 - The employer must pay at least 50% of premiums, and 50% of the cost of funding the deductible or other employee cost-sharing amounts.
 - The employer incentive plan will be available within sustainable financial parameters to employers currently offering health insurance, and to employers currently unable to offer coverage.
 - An employer with 25 or fewer employees will qualify.
 - Employees must work at least 17 _ hours per week and must be employed for at least 90 days during the calendar year.
 - The health insurance plan must be available to all employees in the company regardless of income.
 - The refundable credit, within sustainable financial limits, will be equal to the lesser 25% of employers share of premium or \$40 per month per covered employee.
 - Full credit is given for the first two years, and declines over time.
 - The credit will be available for corporations, individuals who are sole proprietors and business partners.
 - Applications for the credit will be made through the Tax Department.

3. Lowering Administrative Costs

- Vermont government should do all that it can to minimize the administrative costs of the health care system, including health insurance companies' administrative costs, since these are costs ultimately included in the premiums paid for by individuals and business.
- BISHCA will review its regulatory rules for the purpose of streamlining, harmonizing, and promoting greater efficiency, without weakening any regulations essential for the protection of the public.
- The review will include examining the administrative costs and delays incurred in connection with approving large group health insurance rates, where a rating methodology has already been approved by the Department.
- The review will also include administrative costs and uncertainty associated with various overlapping health insurance regulations.

4. Cost Containment Strategies

- Access to quality health care for all Vermonters is ultimately dependent upon our ability to attain and maintain reasonable health care spending levels, which must be addressed through private and public sector cost containment efforts.
- Vermont has as comprehensive a set of cost containment tools as exists in any state in the nation. It is incumbent upon state government to use those tools effectively and wisely, for the benefit of Vermonters and the Vermont economy.
- The goal of this Administration will be to effectively implement our existing cost containment tools so as to reasonably restrain medical inflation without adversely affecting health care quality.
- Additional details:
 - Hospitals account for the largest category of health care spending. All Vermont hospitals are subject to an annual review process in which hospital budgets are set by BISHCA.
 - Capital spending in new technology and other infrastructure drive much of current medical inflation trends. Under Act 53, the new CON law, BISHCA is responsible for the development of a Health Resources Allocation Plan to guide regulatory review and approval of the capital spending of hospitals and other health care facilities.
 - The Governor will add to Vermont's cost containment toolbox by creating an *Interagency Health Care Cost Containment Committee* so that the agencies of AHS and BISHCA can engage in formal inter-agency policy consultation before decisions are made by the respective agencies relative to health care costs and quality. Issues within the jurisdiction of the Interagency Committee might include Medicaid

reimbursement levels and health insurance rate-setting; health insurance and Medicaid benefit plan design; and health resource planning.

- The Governor will also establish a *Public-Private Health Care Cost Containment Council* to encourage and authorize public health benefit plans and private health insurance companies to coordinate their cost containment efforts. Such coordinated cost containment efforts could occur in connection with CON proceedings, hospital budget reviews, cost containment strategies for prescription drugs and administrative costs, and provider reimbursement negotiations. Cost containment coordination would be accomplished under the supervision of BISHCA, to ensure that the public interest is protected.

5. Reduce Underpayment to Providers

- To take a meaningful step to reduce the cost shift that government imposes on our network of healthcare providers, the FY2005 budget proposes approximately \$1 million for increased physician reimbursements under the Medicaid program.
- In addition, the Administration will to work to reduce the gap between the cost of providing care and the amount that Vermont's Medicaid program pays providers. The Governor will direct the Department of PATH to seek approval from the federal government to secure federal match for the value of the uncompensated care that providers render to uninsured Vermonters.
- If approved, the state would then return these new federal dollars to the many providers who are presently underpaid by the system.

6. Commitment to Mental Health

- Mental health care is a key component of the state's healthcare system. In recent years, the Vermont State Hospital has not received the attention it deserves. That is why Governor Douglas increased staff and funding at the hospital last year and will support efforts to do so again this year.
- Over the long term, we must continue to work toward a comprehensive mental health care system that meets the needs of all individuals with mental illness. Toward this end, Governor Douglas proposes \$2.1 million of state and federal resources to enhance our community mental health system.

7. Ensuring Vermont Health Access Plan (VHAP) Outreach

- Currently, the VHAP and Dr. Dynasaur programs are not being used by all of the eligible Vermonters. Governor Douglas will ask the Department of PATH to develop outreach programs to uninsured children and adults eligible for coverage under current state programs, so as to ensure that as many as possible of the most vulnerable Vermonters have access to quality health care.

EMPOWERING THE PATIENT

1. Empowering Patients: A Patient-Centered Health Care Price Information System

- The health care and health insurance environment is changing in Vermont and the nation. As costs escalate, consumers are faced with the prospect of assuming greater responsibility for the cost of deductibles, coinsurance, and other cost sharing expenses.
- Vermonters now have better information about the price and quality of refrigerators or dishwashers than they have about the price and quality of important health care services.
- This proposal will seek to stimulate and strengthen health care information accessibility through internet-based solutions that will encourage wide usage. Vermonters deserve access to accurate price and quality information for health care services.
- Vermonters should have the tools and information they need to make wise decisions to stay healthy, prevent health problems, and successfully manage their illness.
- Additional details:
 - BISHCA's implementation of Act 53, the new CON law, will provide an opportunity through hospital community report cards to offer price and quality information to consumers with respect to hospitals.
 - In addition, Governor Douglas will ask BISHCA and the Department of Health to ensure that consumers have access to price and quality information for a broad range of health care services and products, including prescription drug costs. Information concerning hospital and non-hospital provider prices will help consumers make economically-sound health care purchasing decisions.
 - The solution must also empower providers by furnishing them with information and systems that will enable them to deliver the most effective health care.
 - The information provided to consumers and providers must be readily available via the internet. As part of the "VT Blueprint for Health: the Chronic Care Model," the Douglas Administration will ensure that providers can access internet-based systems that will enable the provision of these tools. They are essential for patients and providers to better manage the health and care of Vermonters.

2. Health Care Consumer Protection

- Vermont already has an extensive consumer protection system, but Vermonters sometimes have reasonable questions about the decisions made by health insurance companies concerning the scope of coverage under their health insurance policy. They expect that state regulators will be there to assist in mediating the answers to those questions.
- Governor Douglas will ask the Legislature to clarify BISHCA's authority to protect individual Vermonters in resolving coverage disputes with insurance companies.

3. The Blueprint for Health: The Chronic Care Model

- Presently, 78 percent of Vermont's health care dollars are going to treat patients with chronic illnesses such as diabetes, high blood pressure and cardiovascular disease.
- In 2003, in partnership with Vermont's health care community, the Administration launched a sweeping chronic care initiative designed to enhance quality and lower costs for those with chronic illnesses and put the patient at the center of care.

4. Long-term care initiative

- Earlier this year, the Administration launched an initiative to refocus the delivery of long-term care and give elderly and disabled Vermonters the choice they desire, increase the quality of their care and reduce costs.
 - A few weeks ago, the Administration filed an application with the Center for Medicare and Medicaid Services (CMS) to operate an 1115 waiver that combines all long-term care expenditures – both nursing homes and community-based care – in a single global budget.
 - The waiver would give Vermont the flexibility it needs to increase access to home-based care, while offering assistance to frail Vermonters at an earlier stage than the federal Medicaid program currently permits – preventative intervention that can make the difference between remaining at home and independent or requiring expensive institutional care. By adopting a balanced approach to long-term care and refocusing Medicaid toward developing home-based care as a real option, we give seniors and disabled Vermonters the choice they desire, make our long-term care system more robust, and contain costs.
- Today, the Administration is adding to that initiative with a proposal to protect the nest egg of aging Vermonters.

- Taking advantage of an anticipated Congressional action, the Administration will propose legislation that will allow Vermont to protect low and middle income Vermonters with private long-term care insurance from having to spend down all of their hard earned resources before becoming eligible for Medicaid.
 - PATH will promulgate regulations to take advantage of the anticipated Congressional repeal of the Waxman amendment. This step will position Vermont to forge a public-private partnership that will encourage middle income Vermonters to purchase private long-term care insurance, and protect them from having to spend much of their hard earned resources before becoming eligible for long term care Medicaid.
 - Under the partnership, Medicaid would allow elders to keep assets, on a dollar-for-dollar basis, for each dollar paid out on a beneficiary's behalf under a qualified long term care insurance partnership policy.

ACCESS TO SAFE AND LOW-COST PRESCRIPTION DRUGS

1. Multi-State Prescription Drug Buying Pool & Canadian Purchasing

- For all Vermonters, access to high-quality, low-cost prescription drugs is a priority.
- As part of the Administration strategy for reducing the cost of pharmaceuticals in our Medicaid program, Vermont formed the nation's first multi-state buying pool for prescription drugs with Michigan, leveraging a larger pool to get the best price for needed drugs.
- Following Vermont's lead, other states have expressed an interest in joining the pool. And, we continue to petition the federal government for access to the Canadian prescription drug market.

2. Drug Price Disclosure

- Most patients and many physicians are unaware of the costs associated with the products they consume or prescribe. This lack of pricing information precludes the consumer or the physician from factoring price into their decision making process.
- Governor Douglas will direct his administration to develop mechanisms for meaningful price disclosure that will allow physicians, pharmacies and consumers alike to factor price into the decision making process, thereby enabling informed choice regarding appropriate drug therapy options.

3. Pharmacy Benefit Manager Disclosure

- The current drug pricing system is cumbersome and complex.
- To empower employers and insurer who rely upon pharmacy benefit managers (PBMs) to contain the spiraling costs of pharmaceuticals, Governor Douglas will direct his administration to adopt regulations that require PBMs to offer employers a pass through pricing alternative.
- The regulations will also enable employers to conduct a full contract audit to ensure the employer is in receipt of all rebates and pricing spreads to which they are entitled.

ENCOURAGING HEALTHY CHOICES

1. Healthy Choices Discount

- Vermont law does not now allow a health insurance company to offer premium discounts to Vermonters who take individual responsibility for promoting their own health through healthy behaviors, such as nonsmoking, and preventative care.
- Vermont health insurance companies policies should reward Vermonters who take responsibility for their health in appropriate circumstances.
- Governor Douglas will ask the Legislature to approve an amendment to Vermont's laws by authorizing healthy lifestyle discounts in insurance policies, under the regulatory guidance of BISHCA.
- Healthy choice discounts must be focused on behaviors such as smoking, which have a clear impact on health care costs, and which involve the personal choice of the insured rather than circumstances over which the individual has no control.

2. Fit & Healthy Kids

- The problem of childhood obesity is plaguing our youth. There is a direct relationship between obesity and a host of life-threatening maladies.
- Fit and Healthy Kids initiative is aimed at promoting coordinated school health programs, and teaching the value of good nutrition and regular exercise.
- The FY2005 budget will fully support this important initiative, including funding for a Fit and Healthy Kids Director, resources to expand youth activity programs, \$150,000 in additional support for childhood nutrition, and operating assistance to jumpstart the Green Mountain Games for Kids.

3. DETER, Part II

- Substance abuse imposes enormous human and financial costs on Vermont. Last year the Legislature approved Governor Douglas' Drug Enforcement, Treatment, Education, and Rehabilitation (DETER) program, but combating substance abuse requires a long-term effort.
- Governor Douglas will propose to build on the DETER foundation with over \$1 million in new funding across a broad spectrum of needs, including outpatient treatment and aftercare, new student assistance counselors, community coalitions, opiate treatment recovery, and treatment for women suffering from addiction.

4. Tobacco Addiction

- Tobacco addiction programs are an essential element in an effective, comprehensive program to encourage healthy choices for Vermonters.
- The Douglas Administration will continue its strong support for tobacco addiction programs, by maintaining the integrity of the Tobacco Trust Fund for future program needs, and by reinforcing the level of funding effort from the Tobacco Settlement Fund for health programs and critical drug addiction prevention and treatment programs.